UMJINDI LOCAL MUNICIPALITY

2013/14 DRAFT MEDIUM-TERM REVENUE AND

EXPENDITURE FRAMEWORK (MTREF)

EXECUTIVE SUMMARY

Core Business Area	Financial Services Directorate
Operational Area	Budget & Treasury Section

Owner: Umjindi Budget & Treasury Section
Client: Umjindi Local Municipality

Document Classification:
Public

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1. PURPOSE

1.1 The purpose of the report is to table the Draft 2013/2014 Medium-Term Revenue and Expenditure Framework (MTREF) before Council in terms of Section 24(1) of the Local Government: Municipal Finance Management Act (MFMA), 2003 Act 56 of 2003, which states that the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.

2. BACKGROUND

2.1 The 2013/14 MTREF will be remembered for the tremendous challenges that the Municipality encountered during the compilation of the 2012/2013 MTREF due cash flow constraints and competing IDP priorities as well as institutional needs for betterment of working conditions for staff.

2.2 The 2012/13 Adjustment Budget in January 2013 directly informed the compilation of the draft 2013/14 MTREF, aligned to the spirit of the MFMA, and more specifically the principle of multi-year budgeting.

2.3 The Ministry of Finance has issued new regulations prescribing the budget and reporting standards, including the formats for municipal budgets as required by the MFMA for the 2012/13 budget year that will continue for the 2013/14 budget year with amendments to the Reporting Schedules (Version 2.5)

2.4 The object of these Regulations is to secure sound and sustainable management of the budgeting and reporting practices of the municipalities and municipal entities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in budgeting and reporting processes of those institutions and other relevant matters as required by the Act

2.5 The DRAFT 2013/14 MTREF is now being tabled in Council for consideration and adoption according to the new prescribed format that come into effect for the 2013/2014 financial year (MFMA circular no 66 dated 11 December 2012) and (MFMA Circular No 67 dated 12 March 2013).

2.6 The technical work on the budget will be completed to ensure that all corrections is being done and ready to be presented to the council for approving on 31 May 2013.

2.7 To implement the new regulations that came into effect 2012/2013 MTREF in the prescribed budget formats poses many challenges for the municipality. Not only has the budget formats changed drastically, it has also increased considerably in the amount of schedules, supporting tables and graphs to be completed and submitted. (Version 2.4).

2.8 According to the budget timetable schedule approved by Council, the draft 2013/14 MTREF must be tabled before the Executive Mayor by 30 March 2013 to ensure a transparent, efficient and effective community consultation process to ensure that the final 2013/14 MTREF be approved end of May 2013.

2.9 The MSA, chapter 4 deals with community participation. With specific reference to the budget process, section 16(i) and (iv) stipulates that a municipality must encourage and create conditions for the local community to participate in the affairs of the municipality, including in the preparation, implementation and review of its Integrated Development Plan and the preparation of its budget.

2.10 Section 22 of the MFMA also stipulated that immediately after an annual budget is tabled in a municipal council the Accounting Officer must make public the annual budget and documents; invite the local community to submit representations in connection with the budget and submit the annual budget to the National Treasury and the relevant Provincial Treasury in printed and electronic formats.

2.11 Section 23(2) of the MFMA stipulates further that “after considering all budget submissions, the Council must give the Executive Mayor an opportunity-

2.11.1 To respond to the submissions; and

2.11.2 If necessary, to revise the budget and table amendments for consideration by Council.

2.12 The 2013/14 budget circular (The MFMA Circular no 67 dated 12 March 2013) will have to ne noted by council as the contents of the circular determines very important budget information, the compilation of the 2013/2014 MTREF budget and reporting schedule information changes.

3. BUDGET ASSUMPTIONS

3.1 Budgets are prepared in an environment of uncertainty and assumptions need to be made about internal and external factors that could impact on the budget during the course of the financial year.

3.2 In compiling the 2013/14 MTREF, the following issues and assumptions that already started during the very difficult 2012/2013 MTREF process and adjustment budget were taken into consideration as the economic meltdown continued with ripple effects in 2013 and still have a major effect on the budget planning process and outcomes:

3.2.1 Economic climate;
3.2.2 Poverty levels;
3.2.3 Inflation; and
3.2.4 Service delivery cost increases
3.2.5 Increase of staff costs and demands

3.3 Tariff and Property Rate increases should be affordable and on line with the CPIX, however taking into account the need to address infrastructure requirements, as well as adjusting some tariff to make the costs of rendering the service to breakeven, therefore some tariff are more than the CPIX.

3.4 No budget will be allocated for capital projects unless the request is included in the IDP.

3.5 The disposal / selling of municipal vacant land (Stands to be sold) will be included as anticipated revenue to be realized and form part of the budget. The council will have to provide in future for more stands to be made available to middle and high income groups that can afford payment for services and which will expand the revenue base of the municipality.

3.6 Operational costs will be maintained at current levels or reduced as cost curtailment measures.

3.7 Budget allocations for externally funded projects will be maintained at approved or gazetted (Grants: Operating and Capital) levels be taken in consideration

3.8 Cash flow projections should be strictly maintained to ensure the municipality's ability to meet its obligations as contemplated in the budget.

3.9 Most general expenditure budget items and the repairs and maintenance budgets have been increased by less than 6% to for the 2013/14 budget year.

3.10 The 2013/14 budget has included a price increase of 6% for bulk electricity purchases based on National Treasury's guideline for electricity tariff increase as contemplated in the MFMA circular 67.

3.11 Employees salaries and contributions have not been increased in line with the Bargaining councils 3 year agreement with unions signed during the 2012/13 financial year and a provisional increase of 6.8% is budgeted for.

3.12 Increase for Councillors allowances has been allowed for in the 2013/14 budget in line with the Remuneration of Public Office Bearers Act (No. 20 of 1998) and a provisional increase of 6% is budgeted for

3.13 The budget makes provision for ±2500 indigent household to be registered, approved and receiving free basic services in 2013/14.

3.14 This budget does not make provision for Council to enter into any new external loans for capital funding purposes.

3.15 Provision for non-receipt of billed income has been made in the budget (this is called the working capital budget). It is assumed that of the total income budget 88% will be received as actual income. Collection rate currently varies between 84% and 89%.

3.16 The Equitable Share, Finance Management Grant, Municipal System Improvement Grant, National Electrification Programme Grant, Water Infrastructure Grant and EPWP Incentive Grant where determined in line with the 2013/14 Division of Revenue Bill (*Bill published in Government Gazette No. 36180 of 22 February 2013*).

4. BUDGET HIGHLIGHTS

4.1 An amount of R 3,632 million has been budgeted for the indigent household subsidization on municipal services excluding water.

4.2 An amount of R3, 773 million has been budgeted for free basic services to other residents (6Kl Water to all residential consumers).

4.3 An amount of R 65 748 million has been budgeted for infrastructure and institutional development (MIG=R28, 052 Million and INEP=R18, 000 million plus Equitable share counter funding of R2, 500 million for electricity programmes and R17, 701 for water infrastructure).

4.4 The envisaged sources of funding for the Capital Budget must be properly considered and the Council is satisfied that this funding is available and has not been committed for other purposes.

5. OPERATING BUDGET

5.1 The following table represents the 2013/14 MTREF as informed by the 2012/13 Adjustment Budget, Integrated Development Plan and various other best practice methodologies e.g. Balanced budget constraint, affordability of services to the community within the context of sustainability.

DESCRIPTION	BUDGET 2013/14	% OF BUDGET
Operating Revenue by GFS Vote		
TOTAL OPERATING REVENUE	278 086 075	100
Operating Expenditure by GFS Vote		
TOTAL OPERATING EXPENDITURE	316 009 592	100
SURPLUS / (DEFICIT)	-37 923 517	

5.2 The deficit of (– R 37 923 517) does include non-cash items for asset depreciation of R25 000 000, 00 creating a deficit of (R1 052 647) if Internal Capital is added to the Budget.

5.3 Departments utilised the month of December 2012 (year-to-date figures) to capture detail budget proposal. The budget proposals were analysed during various management (budget) meetings which took place during March 2013.

5.4 Departments were given the opportunity to refine their budget proposals in line with the budget principles and availability of revenue.

5.5 These sessions did not only focus on expenditure, but revenue generation potential within the context of improved service delivery, operational efficiencies and potential gains

6. EXTERNAL FUNDS (GRANTS) - DoRA

6.1 With the promulgation of the 2013 Division of Revenue bill in February 2013, the following operational and capital allocations towards the municipality have been factored into the MTREF. (*Bill published in Government Gazette No. 36180 of 22 February 2013*)

DESCRIPTION	BUDGET 2012/13	BUDGET 2013/14	INCREASE/ (DECREASE) %
MIG	27 245 000	28 052 000	3
INEP	10 400 000	18 000 000	73
FMG	1 500 000	1 550 000	3
MSIG	800 000	890 000	11
EPWP Incentive	1 493 000	1 286 000	-14
Equitable Share	45 152 000	52,307,000	16
Water Infrastructure Grant	0	17 196 000	100
World Heritage	0	0	0
TOTAL GRANTS	86 590 000	102 085 000	-3

6.2 The table below illustrates how the above grants have been allocated to the various projects in the 2013/14 budget year:

DESCRIPTION	FINAL BUDGET
MUNICIPAL INFRASTRUCTURE GRANT (MIG)	
Replace AC Pipes Phase 6 (CBD)	7 807 840
Bulk Reticulation Sewer : Verulam	9 000 000
Roads & Stormwater drainage : Ext 13 linked with Graveville and two short streets in Spearville, New Village (6km)	9 000 000
Sport Facilities	1 122 080
PMU	1 22 080
WATER INFRASTRUCTURE GRANT	
Bulk & Commercial taps reticulation : Esperado & Kamashayane	6 000 000
Suidkaap Water purification and Queens River pump station	6 000 000
Refurbishment and upgrade Lomati Dam Wall (Phase 1)	5 196 000
TOTAL MIG	45 248 000

INTERGRATED NATIONAL ELECTRIFICATION PROGRAMME (INEP)	
Bulk Electricity supply eMjindini Trust (Phase 2)	6 500 000
Sheba Siding electrification (Phase 2) (700 households)	8 000 000
Equitable share (Counter Funding) Sheba siding	2 500 000
eMjindini Trust (300 households)	3 500 000
Equitable Share (Counter Funding) No funds	-
TOTAL INEP	20 500 000

MUNICIPAL SYSTEMS INPROVEMENT GRANT (MSIG)	
Valuation Roll	300 000
Supply Chain Data Base	240 000
Asset Register	250 000
Development of By-laws	100 000
TOTAL MSIG	890 000

FINANCE MANAGEMENT GRANT (FMG)	
CPMD Training	400 000
Interns	550 000
Compilation of Annual financial Statements (Case Ware Program updates)	300 000
Internal Financial Management Workshops (SEBATA Financial Training/GRAP)	300 000
TOTAL FMG	1 550 000

EQUITABLE SHARE	
Free Basic Services to all residents(Water 6Kl)	3 772 392
Subsidy for Indigent households	3 632 112
MPRA	533 896
Operational Budget support	44 368 600
TOTAL	52 307 000
EPWP INCENTIVE GRANT	
Labour intensive projects	1 286 000
TOTAL	1 286 000

7. CAPITAL BUDGET

7.1 The Capital budget per department (Expenditure and funding resource) will be as per the attached capital budget approved.

7.2 The total draft capital budget currently equates to R71 976 million.

7.3 Departments have to take into account their capacity and funding to spend the requested budgets against the allocated projects in order to ensure implementation and provision of services delivery.

8. REVENUE FRAMEWORK

8.1 In order to serve the community and to render the services needed, revenue generation is fundamental to financial sustainability of every municipality

8.2 The reality is that we are faced with developmental backlogs and poverty, challenging our revenue generation capacity. The requests always exceed the available funds. This was even more obvious when compiling the 2013/2014 MTREF.

8.3 Municipalities must table a balanced and more credible budget, based on realistic estimation of revenue that is consistent with their budgetary resources and collection experience.

8.4 The revenue strategy is a function of key components such as:

8.4.1 Growth in town and economic development;
8.4.2 Revenue enhancement;
8.4.3 Achievement of 90% annualized collection rate for consumer revenue;
8.4.4 National Treasury guidelines;
8.4.5 Electricity tariff increases within National Electrification Regulator of South Africa (NERSA) approval;
8.4.6 Approval of full cost recovery of specific department;

8.4.7 Determining tariff escalation rate by establishing/calculating revenue requirement; and

8.4.8 Ensuring ability to extent new services and recovering of costs thereof.

8.5 The following table is a high level summary of the 2013/2014 MTREF (Classified per main revenue source).

8.6 Increase revenue base through providing stands to be sold to middle and high income earners and commercial who can afford to pay for municipal services.

DESCRIPTION	APPROVED BUDGET 2012/2013	ADJUSTMENT BUDGET 2012/2013	BUDGET YEAR 2013/2014	% INCREASE (DECREASE)	BUDGET YEAR 2014/2015	BUDGET YEAR 2015/20106
OPERATING REVENUE BY SOURCE						
Property Rates	20 775 820	17 659 447	25 069 187	42%	26 573 338	28 167 739
Electricity	45 081 366	38 600 677	45 247 000	17%	47 961 820	48 573 228
Electricity Pre-Paid	25 998 832	25 998 832	27 247 811	5%	28 882 680	30 615 640
Water	20 966 529	17 910 234	33 931 182	89%	35 967 053	38 125 076
Sanitation	5 445 434	4 632 723	5 871 096	27%	5 841 761	6 133 850
Refuse Removal	11 040 308	9 386 570	10 524 767	12%	11 960 935	12 560 009
Grants Operational	50 352 000	42 810 000	50 003 000	17%	57 445 200	65 495 652
Grants Conditional	39 881 000	39 881 00	66 193 000	51%	65 377 000	159 092 000
Interest & Inv Inc	500 000	500 000	500 000	0%	530 000	556 500
Rent of Facilities	1 229 000	1 229 701	1 479 267	20%	1 569 030	1 555 389
Interest on O/S Debt	2 100 000	2 100 000	2 500 000	19%	2 650 000	2 782 500
Traffic Fines	306 100	306 100	302 000	-1%	320 120	336 123
Fines	2 438	2 438	1 240	-49%	1 315	1 394
Licenses and permits (Agency services)	2 790 000	2 790 000	2 900 000	4%	3 074 000	3 105 270
Other (Miscellaneous)	4 445 640	4 445 640	4 403 756	-1%	4 630 753	6 511 595
Gains on Disposal of Assets	100 000	100 000	100 000	0%	106 000	111 300
Profit on Sale of Inv Prop / Land	3 069 154	3 069 154	1 812 769	-41%	1 921 536	2 117 732
TOTAL OPERATING REVENUE	234 083 621	211 422 528	278 086 075	29%	294 812 541	405 840 997

9. TARIFF SETTING

9.1 Umjindi Municipality derives its revenue from the provision of services such as electricity, water, sanitation and refuse removal. A considerable portion of the revenue is also derived from property rates and grants by national governments as well as other minor charges such as traffic fines.

9.2 Tariff increases are primarily driven by the Consumer Price Index (CPIX average 5.5 for 2013/2014). It is due to circumstances not possible to, as in the past, follow the CPIX in the tariff setting for the 2012/2013 MTREF. All the tariffs have been increased by a percentage of 6% if not indicated on attached schedule to this document.

9.3 It is realised that the ability of the community to pay for services rendered is also under tremendous pressure and that the economic outlook for the near future require everybody to make sacrifices.

9.4 The additional revenue that will be generated through tariff increased has to ensure continued service delivery.

9.5 Tariff increases were therefore calculated at 6% with regards to the main services, with the exception of Electricity, Property Rates and refuse removal. This owing to the special circumstance regarding power security in South Africa and the losses currently being incurred on refuse removal.

9.6 The tariff structure of refuse removal for industrial and business has been changed to cover the costs of the service rendered, hence the high percentage increased in the projected revenue.

9.7 By increasing tariffs higher on essential commodities, more strain will be placed on the already cash stripped resident households

9.8 Increases beyond the 6% included in the draft MTREF will only add to bad debt which is already high and a decline in the cash flow

9.9 The outcome of the increases in tariffs (Revenue) on different revenue categories is as follows:

DETAILS	2013/14 PROPOSED TARIFF INCREASE	2013/14 TOTAL BUDGETED REVENUE
Property Rates	New Valuation roll	25 069 187
Electricity	8%	72 494 811
Water	6%	33 931 182
Sanitation	6%	5 871 096
Refuse Removal	Total new tariff structure	10 524 767
Cemetery	10%	190 000
TOTAL		148,081,043

9.10 Property Rates

9.10.1 Property rates cover the shortfall on the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeted process.

9.10.2 The total revenue expected to be generated from rendering this service amounts to R25 069 million for the 20132/2014 financial year due to the implementation of the new valuation roll on 1 July 2013 which did have an effect in decreasing of the rate in the rand per valuation amount per property.

9.10.3 The categories of rate-able properties for purposes of levying rates and the proposed rates due to a new valuation roll will in effect decrease as follows:

CATEGORY	CURRENT TARIFF 2012/13 (No VAT)	PROPOSED TARIFF 2013/14 (No VAT)
	C	C
Residential	0.01026	0.00800
Business & Commercial	0.02051	0.01600
Industrial	0.02051	0.01600
State owned residential	0.01026	0.00800
State owned non-residential	0.01026	0.00800
Agricultural residential	0.01026	0.00800
Agricultural non-residential (Land solely for farming)	0.01026	0.00800
Agricultural non-residential (Business)	0.01026	0.01600
Agricultural vacant land	0.00513	0.00800
All non-agricultural land	0.00513	0.00800
All non-permitted use	0.00513	0.00800

*All the rate-able property rates have decreased as an effort to balance the Budget and make this tariff hike affordable.

9.11 Water

9.11.1 A 6% increase in water tariffs applicable to the residents of Umjindi is proposed

9.11.2 The total revenue expected to be generated from rendering this service amounts to R33 931 million for the 2013/2014 financial year.

9.11.3 A summary of the proposed tariffs (VAT EXCLUDED) for households (residential) and non-residential are as follows:

CATEGORY	CURRENT TARIFFS 2012/13 (Excluding VAT)	PROPOSED TARIFFS 2013/14 (Excluding VAT)	PROPOSED TARIFFS 2013/14 (Including VAT
	Per Kl R	Per Kl R	
Monthly Basic Charge per Category			
Residential 0 – 6 kl Approved indigents Free)	36.29	38.47	43.85
Residential: Town Developed & Churches	36.29	38.47	43.85
Residential: Emjindini Developed & Churches	32.91	34.88	39.77
Residential: Undeveloped	67.22	71.25	81.23
Business	67.22	71.25	81.23
Prison farm	97 946.18	103 822.95	118 358.16
Purified Water per Month			
Residential Consumer 0 – 6 kl	Free		
All consumers 7 kl – 25 kl	5.17	5.48	6.25
26 kl – 35 kl	5.88	6.23	7.11
36 kl and above	5.90	6.25	7.13
Unpurified Water to Industries and Crocodile Farm			
First 500 kl or part thereof	474.98	503.48	573.97
Above 500 kl	1.68	1.78	2.03

CATEGORY	CURRENT TARIFFS 2012/13 (Excluding VAT)	PROPOSED TARIFFS 2013/14 (Excluding VAT)	PROPOSED TARIFFS 2013/14 (Including VAT)
New Connection Charges			
Non-Residential (e.g Industrial, Businesses)	Cost + 15%	Cost + 15%	Cost + 15%
Testing of Meter			
Where meter show an error of less than 2,5%	128.03	135.71	154.71
Where meter show an error of more than 2,5%	N/C	N/C	N/C
Water Connection			
Water connection	1 357.17	1438.60	1640.00
Poverty (Indigent) tariff (A281/2005)	431.47	457.36	521.39
PENALTIES: TEMPERING WITH WATER METERS (RECONNECTION FEE)			
Domestic Consumers (Pre-paid & Conventional)			
FIRST OFFENCE			
Without damage to installation	2 500.00	2 650.00	3 021.00
With damage to installation	3 000.00	3 180.00	3 625.20
SECOND OFFENCE	5 000.00	5 300.00	6 042.00
THIRD OFFENCE			
Legal action and removal of meter			
SELF – RECONNECTION			
When a customer has illegally reconnected himself/herself after he/she has been cut-off due to reasons such as: • Failure to pay his/her account; • After meter has been found tempered with; and • Meter by-passed by customer			

If customers readings, differs from those taken when he/she was cut-off, such customer be declared self-reconnected and the following fine be imposed upon him/her and the installation be removed	5 000.00	5 300.00	6 042.00

CATEGORY	CURRENT TARIFFS 2012/13 (Excluding VAT)	PROPOSED TARIFFS 2013/14 (Excluding VAT)	PROPOSED TARIFFS 2013/14 (Including VAT)
BUSINESS CONSUMERS AND LARGE WATER USERS			
FIRST OFFENCE			
Plus an estimated cost for loss of income during the period when the meter was tempered with	5 000.00	5 300.00	6 042.00
SECOND OFFENCE			
Legal action and removal of meter			
The occupier/owner of the property be held liable for any tempering with any meter on his/her property			

9.11 Refuse Removal

9.11.1 Currently has the refuse removal been transformed during the current (2012/2013) financial year and is new tariff structures been implemented. In normal practice terms, the rendering of this service should at least break-even, which is currently not the case. Umjindi will have to implement a strategy to ensure that this service can be rendered in a sustainable manner over the long-to-medium-term and therefore is the new amended tariff structure being proposed for the 2013/2014 budget year.

9.11.2 The total revenue expected to be generated from rendering and transformation of the tariff structure amounts R10 525 million for the 2012/2013 financial year.

9.11.3 The following table indicates a comparison between current and proposed amounts payable from 1 July 2013 (VAT EXCLUDED)

CATEGORY	CURRENT TARIFFS 2012/13 (Excluding VAT)	PROPOSED TARIFFS 2013/14 (Excluding VAT)	PROPOSED TARIFFS 2013/14 (Including VAT)
	R	R	
Once per Week			
Residential once per week	70.00	75.00	85.50
Daily Removal – Business			
Food Premises & Other:1st Bin	700.00 *(New)		
2nd Bin	Nil		
Spaza Shops* (New)	175.44		
General Businesses *(New)	480.00		
Institutional, Whole sale, Industrial* (New)	3 800.00		
Centres (Jock, Eureka, Lomati)* (New)	14 000.00		
Town Prison –twice per week *(New)	14 000.00		
Hospitals, SANTA –twice per week * (New)	14 000.00		
Prison Farm -twice per week *(New)	22 000.00		

021 REFUSE REMOVAL : ALL NEW TARIFF STRUCTURE WAS IMPLEMENTED 2012/2013		VAT	TOTAL	
Once per week : Residential	2013/2014	2013/2014	2013/2014	%
1st Bin : All Sections	R75.00	R10.50	R85.50	7.1%
Schools				
Category A (With Boarding Facilities)BTN Hoërskool, BTN Primary	R3 800.00	R532.00	R4 332.00	New
Category B (Without Boarding Facilities) Mhola Primary, Comprehensive High School, Sikhuthele, Amon NKosi, Ngwane, eMjindini, Ekucathuzeni, BTN Secondary, Mountainview, Ehlanzeni FET, Veldskool etc	R1 500.00	R210.00	R1 710.00	New
Category C (Kleuterskool, Gummy Bears, Gateway, Barberton Creche)	R720.00	R100.80	R820.80	New
Category D (Prison Farm)	R23 320.00	R3 264.80	R26 584.80	New
Category E (Town Prison)	R14 840.00	R2 077.60	R16 917.60	New
Category F	R517.00	R72.38	R589.38	New
Category G (SAPS, Court, Home Affairs, Mafrica Clinic, Circuit Office, Dept Sports / Museum, Cathyville Clinic, Town Clinic, Labour Dept, Public Works, Regiment Botha				New
Insitutions				
Category H (BTN General Hospital)	R5 900.00	R826.00	R6 726.00	New
Category I (SANTA Hospital)	R5 600.00	R784.00	R6 384.00	New
Category J Commercial Businesses (Eureka, Lomati, Shoprite, Jock of the Bushveld)	R14 000.00	R1 960.00	R15 960.00	Mew
Category K : Medi clinic	R14 000.00	R1 960.00	R15 960.00	New
Commercial Wholesalers / Supermarket	R1 450.00	R203.00	R1 653.00	New
Food Premises, Butcheries, Food Outlets	R742.00	R103.88	R845.88	New
General Business Garages & Spares	R508.80	R71.23	R580.03	New
Spaza Shops	R186.00	R26.04	R212.04	New
Commercial Residents High Waste Generation	R620.00	R86.80	R706.80	New
Cleaning of Erven per m²	R1.50	R0.21	R1.71	New

9.12 Sanitation

9.12.1 The tariff is proposed to be increased by 6% from 1 July 2013

9.12.2 The total revenue expected to be generated from rendering this service amounts to R5 871 million for the 2013/2014 financial year.

9.12.3 The following table indicate the proposed tariffs (VAT EXCLUDED) to be implemented with effect from 1 July 2013:

CATEGORY	CURRENT TARIFFS 2012/13 (Excluding VAT)	PROPOSED TARIFFS 2013/14 (Excluding VAT)	PROPOSED TARIFFS 2013/14 (Including VAT)
	R	R	
Private Residential Purposes			
For every 100m^2 or portion thereof	5.77	6.12	6.97
Maximum	112.35	119.09	135.76
Prisons			
For every 100m^2 or portion thereof	5.77	6.12	6.97
Maximum	2 624.70	2 782.18	3 171.69
CATEGORY	CURRENT TARIFFS 2012/13 (Excluding VAT)	PROPOSED TARIFFS 2013/14 (Excluding VAT)	PROPOSED TARIFFS 2013/14 (Including VAT)
Other Land			
For every 100m^2 or portion thereof	5.77	6.12	6.97
Maximum	1 578.82	2 782.18	3 171.69
Domestic Sewerage			
Per water closet pan, urinal or compartment	17.09	18.12	20.65
Connection Fees			

Non-Residential (e.g Industrial, Businesses)	Cost + 15%	Cost + 15%	Cost + 15%
Sewerage Connection Fees			
Sewerage connection fees	1 177.91	1 248.58	1 423.39
Poverty (Indigent) tariff	561.43	595.12	678.43
Self-Connection / Illegal Connection Fees			
When a resident, business has illegally connected him/herself to the sewerage network			
Residential	1 500.00	1 685.40	1 921.36
Business	3 000.00	3 370.80	3 842.71
Sewerage Blockages Private Properties	No service	No service	No service

9.13 Electricity

9.13.1 The tariff is proposed to be changed according to NERSA guidelines regarding the implementation of the block tariffs as from 1 July 2013.

9.13.2 The current proposed electricity tariff increases for the 2013/14 MTREF is approved during the mayoral meeting in February.

9.13.3 The total revenue expected to be generated from rendering this service amounts to R72 495 million for the 2013/2014 financial year.

9.13.4 Only residents of Umjindi who are registered and approved indigent household will continue to get the 50 kWh per month free of charge.

9.13.5 The following table indicates the proposed electricity charges (VAT EXCLUDED) for the 2013/14 financial year.

CATEGORY	CURRENT TARIFFS 2012/13 (Excluding VAT)	PROPOSED TARIFFS 2013/14 (Excluding VAT)	PROPOSED TARIFFS 2013/14 (Including VAT)
	R	R	
DOMESTIC (HOUSEHOLD, FLATS, GUEST HOUSES, CHURCHES & SCHOOLS WITHOUT KVA AND AGRICULTURAL HOLDINGS)			
Domestic Basic Charge			
Domestic with no consumption for 30 days and longer& vacant stands	166.50	179.28	204.38
Residential	166.50	179.28	204.38
Domestic Energy Charge of Electricity (Block tariff)			
Conventional 0 – 50 units Block 1	0.660	0.780	0.890
Conventional 51 – 351 units Block 2	0.820	0.890	1.010
Conventional 351 – 600 units Block 3	1.075	1.160	1.320
Conventional 601 – above Block 4	1.268	1.380	1.570
Pre-paid Domestic 0 -50 units Block 1	0.660	0.780	0.870
Pre-paid Domestic 51 -350 units Block 2	0.810	0.870	0.990
Pre-paid Domestic 351 -600 units Block 3	1.060	1.140	1.300
Pre-paid Domestic 600 and above Block 4	1.280	1.380	1.570

COMMERCIAL (MUNICIPAL , BUSINESS ETC)			
Basic Charge (conventional)			
Three phase (including vacant stand)	843.00	906.23	1 033.10
Single phase (including vacant stand)	740.00	795.50	906.87
Energy Charge of Electricity			
Charge per unit	0.925	0.990	1.130
Business consumption (Pre-paid)	1.300	1.250	1.420
INDUSTRIAL (MUNCIPAL, BUSINESS, SCHOOLS WITH KVA ECT)			
Low Voltage 400 V (Demand Scale)			
Metered KVA	126.00	135.45	154.41
Charge per unit	0.600	0.650	0.740
Basic charge (including vacant stands)	1 085.00	1 166.38	1 329.67
Time of use			
Peak	2.550	2.7400	3.130
Standard	0.595	0.640	0.730
Off-peak	0.402	0.430	0.490
KVA 11000V			
Metered KVA	126.00	139.75	159.32
Charge per unit	47.040	50.570	57.650
Basic charge (including vacant stand)	1 085.00	1 166.38	1 329.67
Time of use			
Basic charge	1 085.00	1 166.38	1 329.67
Demand charge per kVA (30 min periods)			
Energy charges			
Peak			
High Demand (June – August)	1.754	1.890	2.150
Low Demand (September – May)	0.562	0.600	0.690
Standard			
High Demand (June – August)	0.535	0.580	0.660
Low Demand (September – May)	0.381	0.410	0.470
Off-peak			
High Demand (June – August)	0.298	0.320	0.370

Low Demand (September – May)	0.261	0.280	0.320
CONNECTION CHARGES AND OTHER MAINTENANCE			
Single phase pre-paid meter	4 950.00	5 544.00	6 320.16
Single phase conventional meter	4 875.00	5 460.00	6 224.40
Single phase pre-paid meter (Poverty)Indigent	1 485.00	1 663.20	1 896.05
Three phase pre-paid meter	8 250.00	9 240.00	10 533.60
Three phase conventional meter	8 005.00	8 965.60	10 220.78
Change conventional to pre-paid meter (single phase)	812.00	909.44	1 036.76
Change conventional to pre-paid meter (three phase)	1 660.00	1 859.20	2 119.49
Change pre-paid to conventional (Single phase)	842.00	943.04	1 075.07
Change pre-paid to conventional (Three phase)	1 660.00	1 859.20	2 119.49
PENALTIES: TEMPERING WITH ELECTRICITY METERS			
Domestic Consumer (Pre-paid & Conventional)			
First Offence			
Without damage to installation	2 500.00	3 000.00	3 420.00
With damage to installation	3 200.00	3 840.00	4 377.60
Second Offence			
	3 650.00	4 380.00	4 993.20
Third Offence			
Legal action and removal of meter			

SELF – RECONNECTION			
When a customer has illegally reconnected himself/herself after he/she has been cut-off due to reasons such as: • Failure to pay his/her account; • After meter has been found tempered with; and • Meter by-passed by customer			
If customers readings, differs from those taken when he/she was cut-off, such customer be declared self-reconnected and the following fine be imposed upon him/her and the installation be removed	2 500.00	3 000.00	3 420.00
Business Consumers and Large Power users			
FIRST OFFENCE			
Plus an estimated cost for loss of income during the period when the meter was tempered with	6 200.00	7 440.00	8 481.60
SECOND OFFENCE			
Legal action and removal of meter			
The occupier/owner of the property be held liable for any tempering with any meter on his/her property			
Testing of Meters (Section 9(1) of By Laws)			
Attendance to complaint other than fault in council's supply or equipment (per call)	1 050.00	1 239.00	1 412.46
Testing of electrical installation (Section 16(8)b of By-Laws) – 0n request of consumer	450.00	531.00	605.34
Replacement of tariff circuit breakers with			
Higher circuit breaker per phase	350.00	413.00	470.82
Lower circuit breaker per phase	350.00	413.00	470.82

Consumer is of the opinion tariff circuit breaker to current value that its rating			
Tariff	350.00	413.00	470.82
Per circuit breaker	180.00	212.40	242.14
(These costs are refundable at non-compliance)			
After a tariff circuit breaker has been tested, the Engineer's finding as to the tariff circuit breaker's compliance with the provisions of these By-Laws shall be final and a tariff circuit breaker shall be regarded as complying with the provisions of these By-Laws if the test proves that it does not trip within 30 minutes when it passes a steady current of 5% below its rating			
Aggregate of units determined by Council Engineer	At Tariff	At Tariff	At Tariff
Testing/fault finding on electrical cables			
First 2 hours	1 250.00	1 475.00	1 681.50
Every hour thereafter	450.00	531.00	605.34
Plus: Travel cost	Actual cost	Actual cost	Actual cost
Tariff classification			
In the event of a dispute regarding the tariff under which a consumer is classified, Council's decision shall be final			

9.14 Other tariffs

9.14.1 Cemetery

Tariffs increase of 10%

001 Cemetery Including VAT	2012/ 2013	2012/ 2013	2012/ 2013	2012/ 2013
	Within	Within	VAT	Total
Indigents				
Adult	192.65	211.20	29.57	240.77
Child and Stillborn (0 - 12 Years)	106.29	116.91	16.37	133.28
All Others				
Adult	538.11	591.92	82.87	674.79
Child and Stillborn (0 - 12 Years)	265.73	292.30	40.92	333.22
Wall of Remembrance				
Single Niche	152.79	168.06	23.53	191.59
Double Niche	325.52	358.07	50.13	408.20
Reservations' of graves and niches				
Grave	106.29	116.92	16.37	133.29
Niche	34.54	38.00	5.32	43.32
Widening or deepening graves	225.87	248.50	34.79	283.29
Curbstone decorations/applications	66.43	73.10	10.23	83.33
Exhumation of a body	591.25	650.04	91.01	741.05

001 Cemetery Including VAT	2012/ 2013	2012/ 2013	2012/ 2013	2012/ 2013
	Outside	Outside	VAT	Total
Indigents				
Adult	227.90	250.69	35.10	285.79
Child and Stillborn (0 - 12 Years)	113.95	125.35	17.55	142.90
All Others				
Adult	1 049.88	1 154.86	161.68	1 316.54
Child and Stillborn (0 - 12 Years)	524.94	577.43	80.84	658.27
Wall of Remembrance				
Single Niche	332.89	366.17	51.26	417.43
Double Niche	672.18			
Reservations' of graves and niches				
Grave	217.66	239.43	33.52	272.95
Niche	70.42	77.50	10.85	88.35
Widening or deepening graves	225.87	239.40	33.52	272.92
Curbstone decorations/applications	66.43	83.00	11.62	94.62
Exhumation of a body	591.25	671.00	93.94	764.94

9.15 Equitable Share

9.15.1 The Equitable share allocation to the local sphere of government is an important supplement to existing municipal revenue and takes account of the fiscal capacity, fiscal efficiency, developmental needs, extent of poverty and backlogs in municipalities.

9.15.2 It is an unconditional grant and allocations are contained in the Division of Revenue Act (DORA).

9.15.3 A municipality should prioritize its budget towards poor households and national priorities such as free basic services and the expanded public works programme.

9.15.4 In terms of the DoRA (Division of Revenue act), the allocation towards Umjindi for 2013/2014 is R52 307 million for the financial year 2013/2014. *Bill published in Government Gazette No. 36180 of 22 February 2013*).

9.15.5 The Equitable Share of Umjindi has expected to increase due to recent census, but this was not meant to be as there was negligible increase in our Equitable Share.

10. EXEPENDITURE FRAMEWORK

10.1 Some of the salient features and best practice methodologies relating to expenditure include the following:

10.1.1 Asset renewal strategy (infrastructure repairs and maintenance a priority)

10.1.2 Balanced budget constraint (expenditure cannot exceed revenue)

10.1.3 Capital programme aligned to asset renewal strategy

10.1.4 Operational gains and efficiencies resulting in additional funding capacity on the capital programme as well as redirection of funding to other critical areas, and

10.2 The following table is a high level summary of the draft 2013/14 Medium-Term Expenditure Framework (Classified per main category of expenditure).

DESCRIPTION	APPROVED BUDGET 2011/2012	ADJUSTMENT BUDGET 2011/2012	BUDGET YEAR 2012/2013	% INCREASE (DECREASE)	BUDGET YEAR 2013/2014	BUDGET YEAR 2014/2015
Operating Expenditure by Type						
Employee Related Costs	50 258 416	51 659 629	60 539 965	17%	58 806 389	62 334 622
Employee Related Costs Social Contribution	12 994 785	12 994 785	13 310 081	2%	13 450 023	14 257 025
Remuneration Councillors	5 331 282	5 331 282	6 383 493	20%	6 7660503	7 172 493
Depreciation & Impairment	30 000 000	30 000 000	25 000 000	-17%	23 000 000	20 000 000
Repair & Maintenance	10 348 881	7 260 381	8 299 175	14%	8 873 376	14 765 145
Interest Paid	742 781	751 781	547 100	-28%	579 926	583 377
Bulk Electricity Purchase	60 650 000	60 650 000	64 535 000	6%	76 796 650	91 388 014
Contracted Services	12 271 575	12 614 575	12 378 116	-2%	13 153 678	18 874 317
Grant & Subsidy Paid : Operational	7 801 000	7 686 000	7 940 000	3%	8 427 000	10 573 500
Grant Subsidy Paid : Conditional	42 528 722	42 528 722	69 979 000	50%	65 377 000	159 095 339
Free Basic Services	27 807	27 807	45 968	65%	48 726	51 650
Contribution to funds & reserves	6 550 360	6 550 360	18 053 170	176%	14 601 240	10 757 314
General Expenses	24 846 861	23 361 479	28 998 524	24%	31 533 833	34 026 647
TOTAL OPERATING EX	264 352 470	261 422 801	316 009 592	19%	321 414 344	439 879 443
Surplus / (Deficit)	-30 268 849	-50 000 273	-37 923 517	-24%	-26 601 803	-34 038 446

10.3 The total expenditure for the 2013/2014 year has increased by 20% against the 2012/13 adjustment budget if the depreciation of assets is not taken in consideration which decreased from R 30 million to R 25 million.

10.4 Aligned to the best practice methodology of preserving and maintaining current infrastructure, the expenditure framework has essentially catered for infrastructure maintenance.

10.5 Revenue estimated to be foregone with regards to property rates rebate that increased from R 15 000.00 (2012/2013) to R 50 000.00 (2013/2014) is R1 500 000 due to the new valuation roll implementation on 1 July 2013.

10.6 The cost (revenue forgone) of the social package of the registered indigent household is off-set by the equitable share received in terms of the DoRa (Division of Revenue Act).

11. CONCLUSION

11.1 Although the Municipality in its entirety faces many financial and non-financial challenges, the continued improvement and development of an effective financial planning process aids the actualization of fulfilling its facilitating role to capacitate the community to build a prosperous future for all.

11.2 The 2013/2014 MTREF contains realistic and credible revenue and expenditure proposals which should provide sound basis for improved financial management and institutional development as well as service delivery improvement and implementation.

11.3 The public participation and consultation process will have to take place in April - May 2013 regarding the community input on the draft MTREF for 2013/2014

12. RECOMMENDATION

12.1 That in terms of Section 24 of the Municipal Finance Management Act, (Act 56 of 2003), the annual budget of the municipality for the financial year 2013/2014, and indicative allocations for the two projected outer years 2014/2015 and 2015/2016, and the multi-year and single year capital appropriations are approved as set out in the following tables:

12.1.1 Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2.

12.1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3.

12.1.3 Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4.

12.1.4 Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.

12.2 That the financial position, cash flow, cash-backed reserves/accumulated surplus, asset management and basic service delivery target are adopted as set out in the following tables:

12.2.1 Budgeted Financial Position as contained in Table A6.

12.2.2 Budgeted Cash Flows as contained in Table A7.

12.2.3 Cash backed reserves and accumulated surplus reconciliation as contained in Table A8.

12.2.4 Asset Management as contained in Table A9.

12.2.5 Basic Service Delivery measurements as contained in Table A10.

12.3 That in terms of Section 75A of the Local Government: Municipal Systems Act, Act 32 of 2000, the tariffs for Property Rates, Electricity, Water, Sanitation as well as refuse removal as set out in Annexure A, B, C, D and E respectively, be approved with effect from 1 July 2013.

12.4 That in terms of Section 75A of the Local Government: Municipal Systems Act, Act 32 of 2000, the tariffs for other services, as set out in Annexure F1 to F12 respectively, be approved with effect from 1 July 2013.

12.5 That the proposed electricity tariff increase is subject to approval by NERSA and will be effective as from 1 July 2013.

12.6 That all budget related policies, reviewed and amended be approved and applicable with effect from 1 July 2013.

12.7 That the Service Delivery and Budget Implementation Plans be approved and implemented with effect from 1 July 2013.